

Message Text

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21

ACTION EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 CIEP-03 TRSE-00 STR-08 OMB-01

CEA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06 SIL-01

FEA-02 SCI-06 INT-08 DRC-01 /194 W
----- 035392

P R 300716Z JUL 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC PRIORITY 3762

INFO AMCONSUL BRISBANE

AMCONSUL PERTH

AMEMBASSY KINGSTON

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

LIMITED OFFICIAL USE CANBERRA 4902

E.O. 11652: N/A

TAGS: EMIN, EIND, ETRD, AS

SUBJ: EAL: INVESTMENT, TAXATION AND EXPROPRIATION TRENDS IN
ALUMINUM/BAUXITE INDUSTRY

REF: (A) STATE 145450 (NOTAL) (B) CANBERRA 4470 (NOTAL)
(C) STATE 161569 (NOTAL) (D) BRISBANE 0095 (NOTAL)

1. FOLLOWING UP ON INTERIM REPLY (REF B) TO DEPARTMENT'S QUERY
ON AUSTRALIAN REACTIONS TO JAMAICA'S UNILATERAL TAX RISE ON
ALUMINUM/BAUXITE COMPANIES (REF A), EMBASSY OFFICER HAS DISCREETLY
EXPLORED LOCAL SITUATION WITH OFFICIALS DEPARTMENTS OF MINERALS
AND ENERGY AND OF OVERSEAS TRADE.

2. THEIR COMMENTS CONFIRM EMBASSY VIEW THAT STATE GOVERNMENTS,
WHICH IMPOSE MINING ROYALTIES, MOSE UNLIKELY TO RESPOND
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DIRECTLY TO ACTIONS BY JAMAICANS OR OTHER PRODUCERS. REF (D)

REPORTS THAT QUEENSLAND GOVERNMENT'S RECENT DECISION TO RAISE ROYALTIES ON ALL MINING COMPANIES, INCLUDING ALUMINUM/ BAUXITE, RESULTED FROM NEED FOR REVENUE AND HAD NO DISCERNIBLE LINK WITH GOJ ACTIONS. IN NEGOTIATING NEW MINING VENTURES, STATE OFFICIALS WILL UNDOUBTEDLY BE INCREASINGLY AWARE OF GOING WORLD RATE FOR ROYALTIES, EXPORT PRICES, ETC. HOWEVER, AUSTRALIAN STATES GENERALLY ARE MOST EAGER TO PROMOTE MINING DEVELOPMENT AND THUS ARE UNLIKELY TO EMULATE DRASTIC ACTIONS BY OVERSEAS GOVERNMENTS AGAINST COMPANIES. FOR PRESENT, STATES MOST UNLIKELY TO TAKE SUCH ACTIONS JUST TO PLEASE CANBERRA.

3. IT IS MORE DIFFICULT TO EVALUATE PROSPECTS OF ADVERSE GOA ACTIONS. AUSTRALIA HAS NOT YET FORMALLY JOINED INTERNATIONAL BAUXITE ASSOCIATION, ALTHOUGH DELAY IS UNDOUBTEDLY DUE TO UNEXPECTED MAY 18 ELECTION AND OTHER UNRELATED EVENTS WHICH HAVE TAKEN PRIORITY OVER FINAL DECISION ON IBA MEMBERSHIP. NEVERTHELESS, GOA STILL EXPECTED TO JOIN. PRIME MINISTER WHITLAM HAS CONSISTENTLY SOUGHT TO SHOW AUSTRALIA'S SUPPORT FOR OTHER RAW MATERIAL EXPORTERS, PARTICULARLY LDC'S. MOREOVER, PRESENT GOA AND MANY AUSTRALIANS BELIEVE COUNTRY HAS RECEIVED TOO FEW BENEFITS FROM LOCAL MINERALS DEVELOPMENTS IN PAST BECAUSE EXPORT PRICES AND ROYALTIES HAVE BEEN TOO LOW. ON OTHER HAND, AS MAJOR EXPORTER OF PRIMARY PRODUCTS (AGRICULTURAL AND MINERAL), AUSTRALIA WOULD BE RELUCTANT TO TAKE STEPS WHICH WOULD TARNISH ITS IMAGE AS RELIABLE SUPPLIER THAT LIVES UP TO ITS COMMITMENTS. IN SUM, IT IS QUITE CONCEIVABLE THAT OVER LONGER RUN AUSTRALIA MAY WANT TO INCREASE ITS TAKE FROM ALUMINUM/BAUXITE AND OTHER MINERALS EXTRACTORS, PROCESSORS AND EXPORTERS. MOTIVATION WOULD BE TO GET FULL VALUE FROM NATION'S RESOURCES, AS IN RECENT QUEENSLAND CASE. POSSIBILITY AUSTRALIANS WOULD TAKE ACTIONS ADVERSE TO COMPANIES IN NAME OF "IBA SOLIDARITY" IS MUCH LESS LIKELY. AT ANY RATE, EVEN IF GOA JOINS IBA, IT IS AT THIS STAGE UNCERTAIN WHETHER OR IN WHAT FORM OTHER IBA MEMBERS WOULD ASK AUSTRALIANS TO TAKE SUCH SUPPORTING ACTION.

4. REF (B) FAILS TO MENTION PROPOSED MITCHEL PLATEAU (FAR NORTHERN WESTERN AUSTRALIA) ALUMINA/BAUXITE PROJECT, WHICH HAS BEEN IN LIMBO SINCE 1972. PROJECT IN EXTREMELY REMOTE AND UNPOPULATED AREA WAS TO HAVE COST A\$350 (THEN \$US392) MILLION IN 1971 AND INITIALLY PRODUCED 1.2 MILLION TONS OF ALUMINA LIMITED OFFICIAL USE

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YEARLY. AMAX (52.5 PCT.), HOLLAND ALUMINUM (10 PCT.) AND FOUR JAPANESE FIRMS (37.5 PCT. TOTAL) WOULD HAVE SHARED OWNERSHIP. (ANACONDA PREVIOUSLY HAD DROPPED OUT.) PROJECT, WHICH DUE TO VERY HIGH INFRASTRUCTURE COSTS WOULD COST MUCH MORE TODAY, BECAME INFEASIBLE LARGELY BECAUSE OF AUSTRALIAN DOLLAR REVALUATIONS AND DEPRESSED STATE OF WORLD ALUMINUM MARKETS. IT IS UNLIKELY AGAIN TO BECOME FEASIBLE UNLESS AUST. DOLLAR SUBSTANTIALLY DEVALUED AND/OR INVESTMENT CLIMATE IN OTHER ALUMINUM-PRODUCING

COUNTRIES SERIOUSLY DETERIORATES.
HARROP

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